

Directions of American Intelligence

*Bracey until May 5 Sec. Inst. dinner ext.*

Gene asked me to talk about the strategic position of the U. S. I am not a policy maker - to provide unbiased intelligence I must stay clear of what policy is and whether policy is good or bad. I can assess for you the directions in which U.S. intelligence is going and from it you can deduce our concerns and outlooks.

To begin with we must look at the military equation. Thirty years ago the United States enjoyed absolute military superiority. Since that time the failure of the Soviets to make their system grow adequately in areas other than the military has led them to accent that particular competition. Intelligence has followed. We have watched the Soviets achieve a position of reasonable parity in most areas of the military. That parity places greater value on our ability to know more about their military plans, the pressures on military and civilian leaders, their ideas and their intentions. When you know your enemy's potential and something of what he is thinking, you can use your forces to much greater advantage. He doesn't normally reveal that information outright, but he does reveal pieces of information here and there. Over time those pieces can be brought together to form an accurate picture of not just what he is capable of doing, but what he is likely to do. This gives diplomats, like our SALT negotiators, useful insights; and it gives military commanders greater leverage in the use of their forces. In both cases it can give us the upper hand which we would otherwise not have. Hence large portions of the intelligence effort are on military.

Looking beyond the military, thirty years ago the United States was the dominant economic power in the world. And, at the same time enjoyed relative economic independence. Today we are dependent on many other countries in an increasingly interdependent world. This growing economic interdependence means that the impact of unilateral, unanticipated, economic actions by us, the Soviets, the EEC, or Japan, for example, has the potential to devastate even the strongest nation. Here too, knowledge of what is happening around us is desperately needed if we are not to lose our shirt in the international economic arena.

Because of these changes in the world our intelligence efforts have had to move to keep pace with the changing needs of policy makers, today the intelligence community is very actively involved in economic collection and analysis, as well as military.

In fact, some of our major efforts during the past year have been directed primarily toward economic and political problems.

You may have heard that in March the CIA issued a report on the world energy prospects for the next 10 years or so. In May, a study was issued on the world steel outlook - available capacity, prospects for the future. We projected that the free world steel market will continue to be characterized through 1980 by excess capacity, ~~low~~ operating rates, and continued trade friction among major producers; & yet continued

*(Espand)*  
*expansion of capacity, especially in third world.*

In July, we issued a study on International Terrorism which has subsequently been made available through the Department of Commerce to businesses operating overseas. This study looks at those trends and developments which seem likely to influence future dimensions of the problem and impact on US world interests. Also in July, on behalf of the Joint Economic Committee of Congress, we issued one on the future prospects of the Soviet economy - a rather startling change - from what had been predicted in the past. Previously, the CIA has looked at the Soviet economy and felt that generally it had the capability to achieve three things:

- 1) to sustain the level of military growth that would permit them to catch up with us generally;
- 2) to make improvements, if not spectacular improvements, in the quality of life inside the Soviet Union; and
- 3) to sustain enough investment to carry on a generally growing economy.

Our most recent study reexamines these premises and comes to the conclusion that the outlook for the Soviet economy is more bleak today than at any time since the death of Stalin. This is based on our belief that the Soviets have maintained

their levels of productivity over these many years primarily by infusing large quantities of labor and capital. We believe they are coming to a dead end here. For example, in the 1960's they had a very big drop in their birth rate. In the 1980's the rate of growth of their labor force will drop correspondingly from about 1.5% to about 0.5%. They will not be able to find the additional labor to keep up their productivity. Also, a lot of the growth of their labor force today is coming from the central Asian areas of the Soviet Union where there is serious resistance to the idea of migration to the big cities.

Secondly, their resources are becoming more scarce. They must reach farther into the Siberian wasteland for minerals. This is more difficult and more costly. The petroleum study mentioned before highlights the fact that Soviets have been emphasizing current production at the expense of developing reserves. In fact, the way they have been developing current production - excessive water flooding - may have hurt their reserve position.

If you look carefully at the Soviets' own five year development plan, they themselves predict they will not be able to infuse the same amount of capital or labor as they have in the past. However, they do conclude that somehow and nonetheless they will increase productivity. We don't think that is in the cards. We see no sign of increasing efficiency, nor any sign of a willingness to become less

shackled to the economic doctrines which are fundamental to their growth problem. Instead, we think that between now and the early 1980's the Soviets are going to be faced with some difficult pragmatic choices:

- (1) There may be a debate over the size or the amount of investment in their armed forces. Clearly, this is one avenue to find labor and capitol
- (2) Another may be over whether they will continue to fulfill their promises for the delivery of oil to their Eastern European satellites. Will they export 1.6 Mbb1 to E. Europe? Will they be able to afford to do this when it becomes more and more difficult for them to obtain hard currency?
- (3) And third, how will they obtain the necessary foreign exchange to sustain the rate of infusion of American and Western technology which they are currently depending upon to increase & improve their economic position?  
The Soviet hard currency debt is \$16B and E. Europe's is \$24B. Both are rising rapidly - an annual rate of \$5B/yr since 1973.

Interestingly, when they face these and other decisions, there is a high probability that they will be in the midst of a major leadership change. It could be a very difficult time for them. Then again, were they to make the right decisions and accept certain sacrifices it could go very smoothly; we just can't tell.

One of the important points coming out of all this is that we believe as the Soviets make these policy decisions, the effect will not be remote from you and me. To the contrary, it will be important to us both. What they do with their armed forces obviously impacts on what we do with ours. What they do with their oil inputs to the Eastern European countries and whether that area remains politically stable is going to have major impact on events throughout Europe. If there is too much competition for energy because they don't produce what they need, the world supply and price of petroleum will be affected. If they enter money markets in an attempt to borrow more from us and others in the West what will be our response? What will be our policy?

Now let me say that when we produce a study like this we are not so confident that we present it as the future revealed. We are merely providing our best reading of the clues we see. We expect others may disagree with us. But this too is productive. A good debate generates a good dialogue on important issues. When we did the oil study last March, for example, our conclusions were criticized in the press. We then wrote to our critics - academics, oil companies, think-tanks, and asked them to detail their objections for us. Those who did were invited to come into the Agency for a day of discussions with the authors of the study. A very interesting and stimulating dialogue resulted

from which both sides benefited. We hope that as more of our studies come off the press, we will be able to increase our dialogue with the public. *Not normally been an objective.*

~~That raises the question of what can be declassified and published, and what must remain secret. We in the Intelligence Community are at this moment reappraising our traditional outlook toward secrecy, toward relationships with the public.~~

In part, because this increased importance of and attention to economic intelligence, we are moving to establish a policy of greater openness. *The benefits to the public of being well informed on the major economic issues is obvious.*

Each time we complete a major intelligence study today, we look over it carefully to see if it can be declassified. Whatever its classification - Secret, Top Secret, or burn before reading - we go through it and excise those portions which must remain classified. These are clues which in the hands of our enemies could jeopardize the way we acquired the information, or could endanger the life of someone who has helped us. Once these *on facts* clues are removed, if there is enough substance left to be of interest and of value to the American public, we publish the study and make it available, usually through the Government Printing Office.

*or advantage to policy makers*

Now, not to exaggerate, the Intelligence Community has, of course, not been thrown open with all secrets revealed. Anyone with a cursory understanding of the international system

appreciates that that would be very much to our disadvantage. Sources would evaporate, the advantage of knowing more about your adversary than he thinks you know would be lost, and a foreigner's loyalty to us would assuredly be rewarded with prison or death.

But there are real advantages to opening up within the limits of necessary secrecy. Interestingly, I believe it is going to make it easier to protect important secrets.

Winston Churchill once said, if everything is classified secret, nothing is secret. Today too much information is classified.

There are also too many people running around who feel they can take it unto themselves to decide what should be classified and what should be released. They have released information which has done irreparable damage to our country in terms of damaged inter national relationships; in terms of expensive, technical intelligence systems compromised; in terms of lives dedicated to America and what we stand for, lost. They argue that society cannot trust its public servants to judge what should or should not be withheld from the public. They are wrong. The logical extension of this sophistry is that rather than trust the judgment and integrity of duly elected and appointed officials, the public should instead trust the judgment of either themselves - or a few, self-chosen revealers of the nation's secrets - or for that matter, any of our 215 million citizens. As I have pointed out, the stakes are high: The treasure required to replace compromised intelligence collection systems, our relationships with other nations, the loss of what could be

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vital sources of information, the loss of lives dedicated  
to our well-being.

I personally believe the formula evolving now through  
the close collaboration of the Executive and Legislative  
Branches offers the most promising solution to the vexing  
issue of what should remain secret and what can be shared with  
the public in all three spheres of intelligence work: economic,  
political, and military.

In short, we are moving in two directions at once today.  
On the one hand we are opening up more, as in the case of the  
economic study I cited. On the other hand we are moving to  
tighten the barriers of security around what must be kept  
secret so that there is less likelihood classified information  
will be available to those who do not appreciate the damage  
they can do with it.

Unquestionably a good balance must be established between  
secrecy and openness. I am confident, however, that as we  
find this balance, the Intelligence Community's contribution  
to both the policy maker and the public will be strengthened.

Our nation's security, our nation's future is in many ways  
dependent upon the quality of our intelligence. The successes  
of the intelligence community are the successes of the nation.  
The failures of the intelligence community endanger the nation.  
You cannot be either indifferent to or against the functions of  
the intelligence world. Your inviting me here is indicative  
of your concern and interest and I deeply appreciate it.